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Issues in corporate transparency from the perspective of a sustainable consumer

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Abstract

This paper aims to research the issues related to corporate transparency from the consumer perspective. The larger theme behind this research is sustainability and more specifically sustainability from the consumer perspective. As more and more consumers are informed of the sustainability issues that are happening, many consumers want to make more effort to make purchase decisions that align with their values. In order to succeed in this process, consumers need more transparency. However, having a total transparency is not possible.

There are many issues that effect both how transparent companies can be and whether the added transparency can truly claim its promises. In this reseach, we are researching different issues related to transparency and how do they effect to the consumer. The common transparency issues that we have discovered and researched in this paper were divided onto five different categories: volume of transparency, lack of universal measurements, transparency on a competitive field, labels and certificates as indicators of transparency and lack of regulation with CSR.

This paper seeks to gather information about these issues and how these issues effect to the consumer. In addition to that the possible solutions are considered. The aim is to offer both practional and academical information for further research in the future.

Keywords sustainability, transparency, CSR, communication, green advertising, greenwashing

Table of Contents

Abstract

1	Introduction	1
1.1	The objectives and research questions	1
1.2	Theoretical framework	2
1.3	Structure of the research	3
2	Sustainability	4
2.1	“Triple Bottom Line” -model	5
2.2	Sustainability from a consumer perspective	5
2.2.1	A five dimensional construct	6
2.2.2	What is a sustainable consumer?	8
3	Transparency issues	9
3.1	Volume of communication	10
3.2	Lack of universal measurements	12
3.2.1	How it could be measured	12
3.3	Transparency in a competitive environment	14
3.4	Labels as indicators of transparency	15
3.4.1	The effect of familiarity	15
3.4.2	How fair is Fair Trade?	16
3.5	Lack of regulation with CSR communication	18
3.5.1	Current regulation	19
4	Discussion and conclusion	20
4.1	Implications to research	23
4.2	Implications to practise	23
4.3	Limitations and future research	24
	References	25

1 Introduction

1.1 The objectives and research questions

Sustainability is a very hot topic these days, and it has been researched relatively a lot. However, most of the research that has been done is from the company perspective, rather than from the consumer's point of view (Hanss & Böhm, 2012). From the consumer perspective it has been mainly researched how the concept of sustainability is seen and understood (e.g. Carvalho et al 2015; JoerB et al. 2017), but the theory has not been utilized much further than that. When looking from the consumer perspective, corporate transparency and communication is the most crucial tool to convince consumers that the brand truly is sustainable. "You can't know about a company's sustainability without transparency." (Forbes, 2010) Many companies are aiming for a better transparency in order to convince their customers and build trust. For this research, I wanted to investigate the issues of corporate transparency from the perspective of a sustainable consumer. Therefore, the research question of this study is:

What are the common issues related to corporate transparency and how does it effect to consumers?

Therefore, I will be looking at issues related to corporate transparency with the help of the theory about how consumers conceptualize sustainability. The aim is to help to detect the difficulties in corporate transparency and reflect the effect it has for the consumer. In the end, it will also be discussed who should be liable for this current situation. Corporate transparency is a difficult issue since there is no such thing as total transparency; it's not possible for companies to be transparent about everything.

Therefore, it is important for both the consumer and companies to identify these issues in order to work for bettering them in the future.

1.2 Theoretical framework

The aim of this research is to study the issues of corporate transparency from the consumer perspective. The literature about corporate transparency will be reflected through the consumer perspective of the sustainability. Transparency is an important part of sustainability, since without the transparency consumer has no prove whether a brand is sustainable or not (Forbes, 2010). Therefore, transparency is one of the most important things when we as consumers try to define what brands or products are sustainable and what are not. The growing requirements for sustainable practices also demand more transparency to company's business models (Livesey et al. 2002). The added transparency benefits all stakeholders. "Transparency is conceptualized as an informational mechanism necessary for performing the virtues of truthfulness, justice, and prudence" (Neves et al. 2013, p.639). It benefits the consumers and allows us to make conscious purchase decisions that reflect our values (Bhaduri et al. 2011). If transparency is only beneficial, what is the issue in it?

In an ideal society, where corporate transparency would be comprehensive there would be no issue. However, the companies have the ability to choose in which way they practise transparency in their business. "Transparency thus carries with it the potential to reconstitute "reality" related to sustainable development in one-sided, arbitrary, and manipulative ways" (Livesey et al. 2002, p. 250). How can we then as consumers make the proper decisions if we have nothing where to base them?

Even though this research will be centered around issues of corporate transparency, the larger concept of this research is sustainability and more specifically sustainability from the consumer perspective. The further we dive into the sustainability concept of consumers, we quickly recognize that consumers view sustainability through the information that the company provides, in other words through the transparency of the company. As sustainability is the larger phenomenon of this study, it is also very important part of this research. It has been previously researched that consumers understand sustainability a bit differently when compared to the corporate concept of sustainability (e.g. Hanss & Böhm, 2012; JoerB et al. 2017). To understand how the issues in corporate transparency effect to the sustainable consumer, we first need to define what is a sustainable consumer and how consumers conceptualize sustainability

overall. After that we can analyze the transparency issues that effect both companies and the consumer. In the discussion we will reflect these issues from the consumer perspective

1.3 Structure of the research

As already stated, while this research is mainly centered around the issues in corporate transparency, sustainability will be the larger theme behind this research. Therefore, the thesis is structured as follows.

In the chapter 2 we will be researching sustainability with the help of previous research. Chapter 2 will first focus on sustainability overall and after that we will focus on the consumer perspective of the sustainability concept, followed by theory of the sustainable consumer.

The Chapter 3 will be researching corporate transparency and analyse the issues related to that. The issues presented in this research are based on previous literature that has been done with this topic.

After this we will move onto the conclusion and discussion and reflect these transparency issues and how these affect to the consumers. In addition to that, some discussion about who is liable of these issues will be presented. The structure of this thesis will proceed from a larger concept towards a more definite issue to resolve our research question.

2 Sustainability

During the past few years, sustainability has become essential part of business strategy for many companies (Dwyer et al. 2014). These days' consumers have access to information easily, and for a company it is not so easy anymore to run away from their responsibilities, whether those are environmental or social. When looking from the consumer perspective, how do we define brands and products to be sustainable and what are the issues that we are often faced when doing that? Do we receive all information that we need? Can we trust that information? Are companies transparent with the information related to their business?

To get to these issues, we are first going to familiarize ourselves with the term of sustainability. Perhaps the most famous definition of sustainability is from the Brundtland Commission Report (1987, p.41) "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." "Sustainable development used to be more or less understood as social and economic development that should be environmentally sustainable" (Moldan et al. 2011, p. 6). Therefore, early sustainability initiatives focused mainly on environmental issues but, as time goes on, sustainability concept started to adopt three dimensions of the Triple Bottom Line –model; environment, economic, and social (Ahi et al. 2013). Since that, "it has gradually been acknowledged that economic and social sustainability do indeed have their own merits, as well as specific and concrete meaning as a part of human, social, political or economic development" (Moldan et al. 2011, p. 6). To economist's sustainability can be defined as the maintenance and improving of human living standards (Toman, 1992) whereas ecologist emphasize more the ecological aspect and preserving the function of ecological systems. The conditioning of social and cultural systems stems from the geography and anthropology (Toman, 1992). According to many ecologists, the scale of human pressure on natural systems already is well past a sustainable level whereas for example economist Julian Simon questions whether sustainability is a significant issue, pointing out that humankind consistently has "managed to avoid scarcity through resource substitution and technical ingenuity" (Toman, 1992, p. 5). Despite differences in opinions, to this day it is clear that sustainability is an issue we can't disregard. "Global growth has come at the expense of unsustainable environmental degradation and potentially catastrophic climate change" (the Guardian, 2019). The carrying capacity is limited – in the long term the available

resources are adequate for a certain amount of population with a certain life-style (Isaksson et al. 2015).

2.1 “Triple Bottom Line” -model

Sustainability has often been defined with the help of Triple bottom Line by John Elkington. As previously stated, at first the concept of sustainability has been centered mainly around environmental agenda. However, in the late 1990s the Triple Bottom Line model took off and since that sustainability has often been analysed through three dimensions; social, environmental and economic (Hammer et al. 2017). Before this, the social and economic dimensions of sustainability had already been flagged in the Brundtland Report in the form of 3P formulation; People, planet and profit (1987). These same dimensions were presented in the Triple Bottom line in an integrated way. “The idea behind the Triple Bottom Line paradigm is that a corporation's ultimate success or health can and should be measured not just by the traditional financial bottom line, but also by its social/ethical and environmental performance” (Norman et al. 2004, p. 1).

One of the most criticized factors in Triple Bottom Line model is that it does not include a common unit of measure (Slaper et al. 2011). Therefore, it has been criticized that the model promises more than it can ever deliver (Norman et al. 2004). While economic sustainability might be easier to report, how can the social capital be measured? How about the environmental health? Basically, this means that the set of measures used in sustainability reporting will be chosen by the stakeholders and experts based on the data that can be collected. (Slaper et al. 2011).

2.2 Sustainability from a consumer perspective

If we then move to looking sustainability from the consumer perspective, there are some differences. It has been researched that consumers don't view sustainability through the traditional triple bottom line –model (e.g. Carvalho et al 2015; JoerB et al. 2017), although the three dimensions are still recognized to be a part of the sustainability concept. Daniel Hanss and Gisela Böhm added two dimensions more to the sustainability

concept in addition to previous three (2012). In their study the dimensions of sustainability were environmental, social, economic, temporal and the developmental (2012). The reason why these two dimensions are important for the consumer's conceptualizing is that sustainability can only be reached through development and the perception of time is seen in how the future generations are considered (Hanss & Böhm, 2012). The environmental and the temporal dimensions were important for the consumers understanding of sustainability: "many people were aware of the necessity to respect environmental limits in order to secure the livelihood of current and future generations" (Hanss & Böhm, 2012, p.679). However, from all of these dimensions the economic dimension is the vaguest to consumer - while consumers do understand that it is an important goal for the company, they often dismissed it concerning the topic of sustainability (JoerB et al. 2017).

The consumer's understanding of sustainability is more diverse when compared to the company view of the sustainability concept (e.g. Hanss & Böhm, 2012; JoerB et al. 2017). A fact worth noting is that the term sustainability itself does not resemble much for consumers themselves (JoerB et al. 2017). Consumers rather focus on different attributes related to sustainability, that are available to them (JoerB et al. 2017). Such product attributes can mean for example packaging, labels and where the product has been produced. Therefore, there exist a gap in between corporate social responsibility (CSR) communication and customers; "companies often refer to the CSR concept and therefore customers are often under-informed of the sustainability activities they are interested in" (JoerB et al. 2017, p. 19).

2.2.1 A five dimensional construct

Consumer sustainability consciousness has been identified as a five dimensional construct by Carvalho et al (2015). The dimensions this construct involves are Sense of Retribution, Access to Information, Labelling and Peer Pressure, Health Issues and Crisis Scenario. The first dimension, sense of retribution refers to the "call to action" that consumer gets when being introduced to the current sustainability issues (Carvalho et al 2015). According to Carvalho there are three types of responses: 'denial'; 'do your bit' and feeling of 'connectedness' in a sense of responsibility crescendo (2015).

The second dimension is access to information; access to information and different communication technologies are crucial when it comes to a sustainable agenda of economic development (Navas-Sabater et al. 2002). This is connected to the corporate transparency that helps consumers to base their purchase decisions to their values. There are multiple ways to offer information for consumers, for example certifications on products, as they provide a product guarantee of the product being a better choice (Carvalho et al 2015). In this paper we will also designate a whole section for using certificates as a tool for transparency.

The third dimension is labels and peer pressure. Often in search of information peer advice is the first resource, whereas labels appeared to be the most important factor when it comes to trusting to the product (Carvalho et al 2015). “Knowing that the product was certified as “green” or “fair trade” for instance, would allow the consumers to feel conscious-free in their purchase decisions” (Carvalho et al 2015, p.409).

The fourth dimension of consumer sustainability construct is health. Health reasons that drive sustainable behavior are mainly egocentric; the aim is to search “good for me” products, for example organic vegetables (Carvalho et al 2015). “Radical changes in the biosphere and human interaction with the environment are increasingly impacting on the health of populations across the world” (Carvalho et al 2015, p.409). In health-centered buying behavior sustainability is more of a byproduct rather than the main driver.

The fifth, and the last, dimension is crisis scenarios. In situations, where the world is facing a social-economic crisis, it effects directly to the purchase decisions made by consumers (Carvalho et al 2015). According to Carvalho, in a situation of bad economy, even the idea of having less money to splurge makes consumers more cautious where to spend it (2015). In these situations, for example buying local can be seen as sustainable, as buying local produce implies a positive contribution for solving the economic crisis (Carvalho et al 2015). The crisis situation mainly relies on to the economic dimension of sustainability.

2.2.2 What is a sustainable consumer?

Now that we have addressed how consumers view sustainability, we are now going to take a deeper look into what is a sustainable or a green consumer. While we as consumers make purchase decisions in our everyday life, we have the ability to choose whether we strive for a more sustainable options or not. The characteristics of a green consumer has been researched in the past few years quite a lot (e.g. Straughan & Roberts, 1999; Gilg et al. 2005; Stern et al. 1995). What is similar in these studies is that environmental commitment, consciousness and green behaviour has been found as a demographic variable of an ecologically conscious consumer (Straughan & Roberts, 1999). Other demographic factors, such as age, sex, income and education has also been researched, but the results still remain contradictory (Straughan & Roberts, 1999). However, as uniting psychographic factors Straughan and Robert list perceived consumer effectiveness, altruism, and liberalism (1999). Of these three the perceived consumer effectiveness (“belief that individuals can play an important role in combating environmental destruction”) was claimed to be the most powerful driver of the green consumer. Schwatz has also researched that two social value dimensions, altruistic – egoistic and conservative – open to change, affect to green purchasing (Gilg et al. 2005). Environmentalists were most likely to be both altruistic and open to change (Stern et al. 1995) which supports the result of Straughan and Robert.

While making the purchase decisions green consumers need information and transparency to succeed in choosing the option that suits the best to their values. In order for a consumer to make green purchase decisions, consumer needs to have (1) green values, (2) purchase experience, (3) time for research and decision-making, (4) good knowledge of environmental issues, (5) green product options (6) resources for the purchase (Young et al. 2010). If the criteria is in order, it is easier for the consumer to make purchase decisions that are in line with their values. Therefore, both the government and companies should strive to strengthen these success factors (Young et al. 2010).

In order to opt for the green products consumers need the information and transparency from the companies to succeed in their purchase behavior. The lack of transparency shifts the responsibility more on consumers, since consumers need to make more of an effort in order to gather necessary information before making a purchase decision.

3 Transparency issues

As previously stated, transparency is necessary when aiming to create a sustainable brand that resonates to the consumer. “Transparency is conceptualized as an informational mechanism necessary for performing the virtues of truthfulness, justice, and prudence.” (Neves et al. 2013, p.639). Bushman et al. define corporate transparency as a widespread availability of company-specific information to the people and organisations outside the company (2004). If a brand could operate in a transparent way as a whole, there would be no issues from the consumer perspective. These days the sustainability communication and reporting is both trendy and demanded. There is a need for better two-way communication as stakeholders demand for more credibility and transparency (Stuart, 2011). Many companies have at least some sort of sustainability page on their website, explaining what are the things that they are making to better their business to a more sustainable one. In fact, a website is the most frequent media used to engage in sustainability-related communication – 80% of Fortune 500 companies mention their sustainability actions on their websites (Parquel et al. 2011). Everyone wants to talk about it whether the company has done much for it or not. Often companies just create separate sustainable strategies to fit on top of their unsustainable business and claim themselves to be sustainable (Stuart, 2011). This can mean a variety of irrelevant actions from having recycle bins at the office or reducing paper letters whereas the actual unsustainable factors in their business model are ignored. (Stuart, 2011).

However, when transparency is imperfect, there are many issues related to it that can affect the way we as consumers perceive certain brands or products. Transparency can serve firms' attempts to make themselves seen in a more positive light and create an image that the company is making progress toward sustainable development (Livesey et al. 2002).

3.1 Volume of communication

While transparency and sustainability communication is very trendy these days. Corporate social responsibility (CSR) communication expenses are currently the third-largest budget item in large companies for corporate communication departments (Parquel et al. 2011). Companies communicate about the actions that they have done for a more sustainable business. However, it can be noted that in the past ten years many companies taken the the so-called eco-friendly strategy (Dwyer et al. 2014). This can mean a various set of activities such as recycling programs, waste or water reduction programs, environmentally friendly purchasing, and lowering greenhouse gas emission (Dwyer et al. 2014). There are different drivers that can encourage companies towards a more sustainable business model – both external or internal (Stuart, 2011). Among them we can cite external and tactical reasons (e.g. avoiding fines for breach of environmental legislation, heavy taxes, bad publicity, gaining trust of the environmentally aware or reducing costs), as well as internal drivers (Dwyer et al. 2014). Within the internal approach the “organization perceives sustainability as an instrument to achieve performance goals” (Stuart, 2011, p. 140). Without the internal drivers to sustainability there is often a risk that companies develop sustainability actions on top of their unsustainable business. This can mean anything from having recycling bins at the office to reducing the amount of sent paper letters (Stuart, 2011). It is natural to perceive brand or a product to be sustainable if we constantly see it being mentioned in sustainability related contexts.

Bigger companies naturally have more resources to both developing their sustainable practices but also to communicate about them. More powerful companies usually have a better representation to both interpret and use transparency information as their own advantage (Gupta, 2010). Small companies often lack the resources when it comes to sustainability. When large and small companies have been compared, it has been found that smaller companies are less likely to examine their environmental impact mainly due to financial limitations and costs (Loucks et al. 2010). Condon also noted that a lack of both financial knowledge and employee resources limited adoption of sustainability practices in small- and medium-sized corporations (2004). These corporations were more reactive with adopting sustainability strategies compared to proactive methods of larger companies (Loucks et al. 2010). In addition to having less financial resources, the difference can also be explained with the fact that small companies often face less

pressure from external stakeholders to sustainable actions (Loucks et al. 2010). It has also been researched that sustainable development tools were designed for the larger companies and due to that, these tools can often be difficult for smaller companies to utilize (Hillary, 2004; Fassin, 2008).

Often the ones that communicate about their sustainable efforts can even be the unsustainable ones. In more polluting industries the stakeholders have more emphasis on sustainable efforts, therefore the companies operating these fields should be willing to communicate about it. It has been researched, that due to higher expectations towards sustainability, the firms from “dirtier” industries are more likely to engage in transparency (Perez-Batres et al. 2011). In this research the term “dirtier” indicated how earth friendly these firms were on a scale 1-3. For example, petroleum refineries and iron and steel mills would be ranked as number 3 because these were often classified as most polluting industries (Perez-Batres et al. 2011). What this means is that since the pressure to being sustainable is set high on these polluting industries, these industries will more likely put effort in convincing stakeholders for them operating sustainably; consumers might receive more information about the sustainability from firms that are operating in an unsustainable field. This can happen because “dirty companies know they have a bad reputation, so little is lost in making a green claim if the opportunity arises” (Dahl, 2010, p. 250).

However, there are also research results about consumers getting critical when companies have too much effort on CSR communication – “if a company focuses too intently on communicating CSR associations, is it possible that consumers may believe that the company is trying to hide something?” (Morsing et al. 2008, p. 323). If a company is green and people already know that, there is no need to make noise about it – it can even put the company at risk of being attacked (Dahl, 2010). The fear of getting it wrong has even sparked another trend: 'greenhushing' - some truly green companies remain silent just to avoid bad reputation in case they've got anything wrong (The Guardian, 2011) This is another form of how we as consumers are getting a distorted view due to the volume of sustainability communication. The amount of communication cannot be redeemed as an indicator of sustainability or transparency.

3.2 Lack of universal measurements

Another issue that causes issue to sustainability reporting is the lack of clear units of measurement. “Integrated reporting (referred to as the "triple bottom line") promised to give a picture of a firm's “total value added” by developing a methodology for combining economic, environmental, and social costs and benefits into a single bottom line” (Livesey et al. 2002, p. 235). However, the triple bottom line -model does not have common units of measures. “The set of measures will ultimately be determined by stakeholders and subject matter experts and the ability to collect the necessary data” (Slaper et al. 2011, p. 5). This is an issue both for the company and the consumer. Defining the correct measurements that actually are valid can be a huge cost and effort for the company. This leads to the issue that each company will measure their sustainability in a way that they prefer (Slaper et al. 2011).

Without a set of universal measurements, it is very hard for the consumers to get a grip of what is the sustainability level of the company. Every time a consumer is trying to look into these reports, consumers need to familiarize what the used metrics mean. It also makes it almost impossible to compare different companies, since the reports are not comparable. “Companies may seek to aggregate data in a way that makes them anything but transparent” (Livesey et al. 2002, p. 251). This distorts the situation since companies can choose the measurements that work in their favor. We will be discussing more about the issue later.

3.2.1 How it could be measured

How to define and measure corporate sustainability is more than just an academic concern – corporations face an increasing amount of pressure for demonstrating their sustainability contribution (Atkinson, 2000). In various researches multiple different ways to measure sustainability have been presented. Gates et al. argues that “the strategic performance measures should derive from a company’s strategic mission, but because sustainability is just now entering into an increasing number of companies’ strategic missions, the connection between the strategic planning process and the creation of the performance measurement system needs to be very close” (2010, p. 10). Searcy also

proposes that strategic performance management system (SPMS) should have a long-term focus and the issues associated with the triple bottom line should be addressed (2011). Gates et al. proposes adding a fifth perspective – society – to support the four perspectives (finance, customers, processes, learning) of Balanced Scorecard (2010). According to Gates, this fifth dimension can incorporate both environmental and social aspects (2010). Another approach that Gates et al. proposes is to develop a new balanced scorecard that is dedicated to environmental and social issues – this option is more suitable for management departments that are more dedicated to environmental and social issues (2010).

“Corporate sustainability is a dynamic challenge that is characterized by continually shifting priorities - an effective SPMS must evolve in response to changes that occur inside and outside the corporation under a range of anticipated and unanticipated conditions” (Searcy, 2011, p. 45). According to Isaksson et al. humanity and nature can be identified as the main stakeholders when thinking about the global system – these could be described as People and Planet (2015). Therefore, Isaksson et al. proposed a change to the traditional triple bottom line to the crippled bottom line of two ratios: (1) People value/planet harm and (2) People value/people harm - the carbon emissions could act as an indicator of planet harm and factors such as salary as people value and is the price paid for goods and services as people harm (2015). Atkinson proposes full cost accounting as a tool for understanding corporate sustainability – the amount of pollution should be valued in corporate green accounts in order to make sustainability to a more accountable form (2000).

There are also general guidelines that can be used in sustainability reporting. For example, The Global Reporting Initiative (GRI) guidelines are widely used by companies to report sustainability: “The Guidelines offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations,” (Isaksson et al. 2015). However, the issue with GRI-guidelines is that even if organizations report according to the GRI-guidelines, it is still difficult for the consumer to comprehend the actual level of sustainability and what are the actions that the company is willing to do in order to become truly sustainable (Isaksson and Steimle, 2009). “Customers are not

specifically identified as stakeholders and there is no mention on the creation of customer value as part of the economic sustainability” (Isaksson et al. 2015, 243).

There is a need for theoretical and applied research to update the key steps with corporate SPMS that have an emphasis on the individual measures and its relation to corporate operating environments that are continually shifting (Searcy, 2011).

3.3 Transparency in a competitive environment

There is also a conflict when companies are operating on a very competitive field. In competitive fields the information is obviously very valuable. It has been researched that the companies said that it was "struggling to find a way of [being more open] while operating in a highly competitive market where information is highly valued and can be used by competitors to thwart success" (Livesey et al. 2002, p. 238). Being too transparent can simply reveal too much for the competitors. For example, when the sustainability reporting of the body shop was researched; “Openness and data sharing about sustainability efforts also raised another problem: There was the paradox that even as environmentally and socially conscious leadership created unique identity niches for the companies, success in persuading other companies to follow their lead would necessarily dilute this competitive advantage.” (Livesey et al. 2002, p. 240) This is more of an issue from the corporate perspective, but it is still connected to how transparent information the consumer is going to receive. There can never be such thing as a perfect transparency. While it would benefit the consumers and help them with their decision making process, in a long-term perspective companies would be diluting their competitive advantages and losing their profits, therefore failing in economic dimension of sustainability (Livesey et al. 2002).

3.4 Labels as indicators of transparency

Next issue that we want to address in this research are the labels and certificates as indicators of transparency. Product labels, such as Fair Trade or Organic are a way to offer information and create transparency. “Fair Trade certifications aim to transmit differentiation and ethical assurance to products that bear the symbol, but also they are a communication tool that is used by brands to promote ethical principles through CSR labeling initiatives” (Herédia-Colaço et al. 2017, p. 738). For example, the well-known Fair Trade label is known for providing the appropriate wages for the workers and farmers. Fair Trade label can be traced back to 1988, when a nongovernment organization from the Netherlands began an initiative to ensure that the workers in low-income countries were earning sufficient wages for the crop that they provide (Dragusanu et al. 2014). While Fair Trade certificate is for a great cause, in this research we want to point out what kind of issues these certificates have when they are used as a tool for transparency. For this research we have two different issues that are related to labels. First issue is about the familiarity of these labels and how does it affect to our purchase decisions. The second one is then analyzing about whether in all situations for example Fair Trade label can actually redeem the promises that it offers and whether the offered transparency actually links to sustainability.

3.4.1 The effect of familiarity

As stated before, when evaluating the sustainability of the product or a brand, consumers rather rely on attributes rather than the word of sustainability itself (JoerB et al. 2017). Fair trade and other similar labels (e.g. Rainforest Alliance Certified, Fairly Traded, Certified Local Sustainable, Organic, UTZ Certified etc.) are one attribute that can in certain situation effect a lot to the perception of the product. However, the effectiveness of the label depends crucially of how familiar the consumer is with the specific label (Herédia-Colaço et al. 2017). “Consumers often have a tough role in discerning fair trade certifications from other more identifiable on-package elements such as the brand name, nutrition and ingredient information, or price”(Herédia-Colaço et al, 2017, p. 738). The broad offer of different third-party certifications does not help, and when faced an unfamiliar certificate, consumer is likely to be left confused. In the USA, there are now more than 500 green labels and some are significantly more meaningful than others

(Dahl, 2010). In situations where the certificate is unfamiliar, it might even be viewed suspiciously as an attempt to ‘greenwash’ or fool consumers (Sirieix et al. 2012). Thus, understanding sustainable labels is not just about knowledge and information; people also need to be familiar with the whole concept, whether it is about carbon footprint, organic farming or providing sufficient wages (Sirieix et al. 2012). Perhaps the most identified label is the Fair Trade label. The familiarity of the Fair Trade label evokes trust and overall positive associations among the majority (Sirieix et al. 2012). It has been researched, that fair trade labels often affect the way consumers evaluate products. The research findings have proved that fair trade certifications often tend to enhance product valuations; “This effect is especially observed for low familiar brands, once the level of fair trade expertise increases.” (Herédia-Colaço et al, 2017) Contributing to this, when a brand already is familiar, a notion of a fair trade mark does not have as remarkable effect.

As we have now discussed, Fair trade labels and other certificates work as a tool to create more transparency, but only in situations where these labels are understood. In order for the consumer to understand some of these labels, it is also necessary to know the bigger concept behind it (Sirieix et al. 2012). “If consumers do not have sufficient knowledge about the relationship between ethical consumption and societal benefits (ethical expertise), it is likely that they will be less prone to engage in ethical decisions, simply because they do not understand the benefits of choosing a specific product versus another” (Herédia-Colaço et al, 2017, p. 738). Without understanding that, the certificates can be seen irrelevant or even negatively as a way to greenwash consumers (Sirieix et al. 2012). When these labels are identified, the positive effect and gained amount of trust is stronger when the products themselves are unfamiliar.

3.4.2 How fair is Fair Trade?

Next we are addressing the issue whether labels and certificates really succeed as indicators of transparency. As an example here we are using the Fair trade label; Fair Trade labeling aims to improve lives of the poor in developing countries by offering for example a price floor, financing from purchasers and co-ops, and longer-term ties between producers and buyers (Dragusanu et al. 2014). The Fair Trade principles differ; According to the The Fair Trade international, the certification should be restricted to

smaller producers, whereas Fair Trade USA believes that also larger producers and plantations deserve to be certified (Dragusanu et al. 2014). There is a lot of critique related to whether the Fair Trade actually benefits the farmers in the long run and if it actually benefits the right people (Dragusanu et al. 2014). A lot of critique has to do with the fact that getting a Fair Trade certificate costs – “during the early years of Fair Trade, inspection and certification were free of charge” (Dragusanu et al. 2014, p. 221). However, since 2004 the cost of application, initial certification, and renewal certification have been obligated to pay by the producers (Dragusanu et al. 2014). This can end up being very costly for small producers. However, without a cost for the certificate, the proportion of Fair Trade farmers would grow and therefore it would be impossible to sustain higher prices for Fair Trade products when the overall supply would keep on growing (Dragusanu et al. 2014). While the growing amount of Fair Trade farmers would be good, in the long run this would diminish the financial perks of being a Fair Trade farmer. This brings up the question “whether Fair Trade makes “economic sense” and is sustainable in the long run” (Dragusanu et al. 2014, p. 217).

“Although empirical evidence remains limited, existing studies often find that Fair Trade–certified farmers perceive and experience greater economic stability than conventional farmers” (Dragusanu et al. 2014, p. 229). However, there is also research about how the benefit of Fair Trade might not benefit the workers. Evidence on the distribution of the benefits of Fair Trade remains limited, but the available studies suggest that, within the coffee industry, Fair Trade certification benefits workers little or not at all (Dragusanu et al. 2014). The reports have shown that the Fair trade farmers do receive higher earnings for the coffee that they produce, however, the workers were still paid the minimum wage and did not receive benefits like social security, medical care, vacation, pension, and paid sick leave (Valkila and Nygren, 2009).

As we have now stated, there are some issues when certificates and labels are used as a way of bettering the transparency and these are also problematic as a definition of sustainability. In addition to these issues, many labels are also attained via self-certification - the label can just be purchased in case a company wants it, which means that there is no justification for the certificate (Dahl, 2010). However, there are situations where Fair Trade labels can succeed and by providing enough information about these labels for consumers the benefits can multiply.

3.5 Lack of regulation with CSR communication

The last issue that we are going to look into in this paper is selective transparency. With selective transparency we mean a situation where companies consciously construct their communication in a way that it serves themselves the best. This can also be called as greenwashing. According to Bradford, greenwashing can be defined as tactics that mislead consumers regarding the environmental practices of a company or the environmental benefits of a product or service (2007).

As previously stated, companies often use the corporate social responsibility (CSR) communication to give a more positive image of their business (Parquel et al. 2011). Greenwashing is not a new phenomenon. According to Dahl since the mid-1980s greenwashing has gained broad recognition and acceptance as describing the act of using false sustainability-related claims in order to sell/market products or to gain market (2010). However, the use of greenwashing has escalated in recent years; The advertising of green products has nearly tripled since 2006 (Delmas & Burbano, 2011).

As the level of greenwashing increases and gets exposed, consumers also slowly learn to be critical towards it. While it is good that consumers learn to criticize greenwashing, in the long run this complicates both consumers and companies. There is a danger, that consumers get so skeptical that they don't believe any green claims (Dahl, 2010). When this happens, the truly green companies do not receive benefits for communicating about their greenness – after all, consumers would just assume that it is fake. This can be very harmful as it leads to a situation where companies that communicate themselves being green necessarily aren't and the truly green companies remain silent (Dahl, 2010).

The profusion of CSR claims creates difficulties for consumers to recognize the actually sustainable companies from the companies that are just trying to take the advantage from the sustainable development trends (Fukukawa et al. 2007; Bernstein 2009). What

protects the consumer in this scenario, where misleading marketing of green products keeps on growing? According to Delmas & Burbano, the uncertain regulation is a key driver of greenwashing - more enforced regulation towards greenwashing would be the most effective way to reduce it (2011). Often international companies advertise their products using vague environmental-related terms with unclear but still familiar environmental terms, such as eco- or environmentally friendly, compostable, recyclable, made from recycled materials, biodegradable and so on (Stokes, 2009). Shouldn't green advertising rely more on data and facts rather than vague environment-related terms?

3.5.1 Current regulation

On the positive note, the regulation against greenwashing keeps on developing to protect the customer from deceptive claims. Instead of having just a set of guidelines for green marketing, a regulation is constantly composing to a more coherent set of rules.

In 1992 The Federal Trade Commission (FTC) of US, in cooperation with the Environmental Protection Agency (EPA), established a set of guidelines for green advertising claims (Stokes, 2009). The guidelines consisted four general principles for environmental claims:

1. Be clear, prominent and understandable;
2. Clearly state whether any assumed environmental attribute or benefit applies to the product, the package, or both;
3. Avoid exaggeration of a environmental attribute or benefit; and
4. Ensure comparison statements in claim be clear and understandable, not deceptive, to the consumer (Stokes, 2009).

“Though companies can face consequences for ad claims that do not follow the guides for Unfair and Deceptive Acts under section five of the Federal Trade Commission Act, marketers are only encouraged to comply with the criteria as they carry no force of law and are overruled by existing state environmental regulation” (Stokes, 2009, p. 15). During the past few years FTC has given multiple warnings for example towards the use of unqualified third-party certifications or making unclear vague market claims using

words like eco-friendly (The Guardian, 2011). In the EU, legislation is focusing on how to compare the performance of different purchases – “Companies that market a product as 'green' are now required to prove that its overall environmental impact is less than competing options” (The Guardian, 2011).

4 Discussion and conclusion

We have now researched some of the issues related to corporate transparency that have been found based on a literary analysis. These issues were divided to five different categories; volume of the communication, lack of universal measurements, transparency in a competitive environment, labels as indicators of transparency and lack of regulation with CSR communication. These issues are not necessarily from the consumer perspective, while there still exists a negative effect for the consumer. For this research, we have recognised three effects:

1. Lack of unbiased information
2. Confusion
3. Scepticism

The first one is lack of unbiased information. This can happen for example in situation, where a company operates on a highly competitive field and therefore cannot be as transparent with their business. While being too transparent companies can potentially dilute their competitive advantage in a long-term perspective (Livesey et al. 2002). In this kind of situation the consumer does not receive as transparent information. Another example is in a situation where companies each choose the metrics with their sustainability reporting in a way that works in their favour (Livesey et al. 2002). While consumer does receive some transparency in this scenario, when metrics are choosed to work in the company's favour, the transparency can be biased and not reflect the actual sustainability state of the company.

The second one is confusion. Consumer can get confused for many things whether it is about the overwhelming amount of green advertising or the lack of cohesiveness in sustainability reporting. As an example when the selection of different green labels keeps on growing, it can be even impossible for consumers to know the meaning of each label, nevertheless how accurate these labels actually are. With the self-certified labels, when the certificate has just been purchased, even if the meaning of the label is understood it is unclear whether the product actually redeems the promise that the label communicates. In addition to the label, there are also other product attributes, such as packaging or ingredient information, that can communicate how sustainable a product is – considering all these can be very confusing for the consumer (Herédia-Colaço et al, 2017, p. 738). Comparing how sustainable different companies are is also a huge challenge for the individual consumer with uncomparable sustainability reports. Even with the commonly used GRI-guidelines for sustainability reporting, it is still difficult for the consumer to assess how sustainable the company actually is how the company is aiming to be truly sustainable (Isaksson and Steimle, 2009). The growing amount of greenwashing and vague environmental terms used in green advertising do not help either, as consumers are trying to juggle their way for purchasing the most sustainable option.

The third effect is skepticism. As previously mentioned when the level of greenwashing increases and gets exposed, consumers also slowly learn to be critical towards it. While learning to be critical towards green product advertising can help consumers for not falling for every greenwashed product on the market, it can also lead to a situation where all green claims are viewed suspiciously. There is a danger, that consumers get so skeptical that they don't believe any green claims (Dahl, 2010). For example, often when consumers face an unfamiliar product certificate, it can be viewed as an greenwashing attempt or otherwise suspiciously (Sirieix et al. 2012). Exposed green scandals do not help with this issue, like when Volkswagen got exposed for manipulating their emissions using softwares that could detect if the cars were tested in laboratory conditions (Hotten, 2019).

Based on these results, current situation with sustainability communication is still fairly complicated and it shifts the responsibility towards the consumer. Corporate social

responsibility still remains as a “fuzzy and contested concept which varies in terms of its underlying meanings and the issues addressed” (Nielsen and Thompsen, 2009, p. 178) However, by bringing these issues up frequently, it is expected that as time goes on, these issues will be resolved in the future. As we have now analysed sustainability from the consumer perspective, we can note that information is an important tool that helps us in our everyday purchase decisions. We as consumers need the transparency in order to make purchase decisions that reflect their own values. Therefore, the issues presented in this research should be resolved.

In the light of these results, it can also be considered who is liable to prevent these issues. Should the consumer always be willing to research whether product claims are true? Should the company always provide comprehensive information about their contribution to sustainability? Should every company have the right to report about the things they see as most relevant? After conducting this research, the following consideration behalf of the writer is presented. First of all, to prevent deceptive green advertising, government should provide the regulation. Government should also provide either a recommended guidelines for sustainability reporting or a possibly even fixed set of indicators that the company must offer for all stakeholders. After this, the companies would be responsible to obey the regulation and provide the necessary information. The consumer itself should be responsible for educating him/herself for these sustainability-related phenomenons in order to make the best out of the company-provided information – for example, by making more sustainable purchases. The current situation shifts the responsibility fully for the consumer, when it should be distributed rationally.

4.1 Implications to research

The aim of this research was to investigate the issues related to corporate transparency and how it affects the consumers. With the growing amount of information related to environmental and social issues consumers are eager to know what they really are supporting with their purchase decisions. Corporate transparency should be able to provide an honest image of company's sustainability efforts, but as we proved in this research, that doesn't always succeed. This research aimed to compose some of the issues related to corporate transparency in one paper.

In this research we analyzed five different issues related to transparency that can distort the image of how sustainable a brand or a product really is. We mainly analyzed these issues from the consumers' point of view and thus provided more information on how we as consumers make purchase decisions and what tools we need in order to succeed in it. With this research we provided more theoretical base for future studies, where the same issues could be research with empirical methods. Hopefully this research would also provide more information for further research of the universal metrics for sustainability reporting to further better the corporate transparency.

4.2 Implications to practise

Transparency has often been researched from the companies point of view, while the actual aim of it is to benefit the stakeholders by providing the information that is needed. Transparency is a topical issue and while digging deeper to this topic, it is inevitable that more issues will rise. Therefore, it is important for the consumer to learn to evaluate objectively and critically the information that the company gives in order to reach a valid perception of how sustainable a brand is. However, it is also needed both for the government, companies and the consumers to do their part in order to help this current complex situation. Hopefully this research would also provide more information for further research of these issues that would lead to a more practice-oriented results. The more these issues shed light to today's world, the more evitable it will be that corporations themselves also aim to be transparent in a way that they avoid these issues.

This will benefit the consumer also and slowly it will take us towards a more transparent future.

4.3 Limitations and future research

One of the limitations of this research is that it relies completely on literature that's been already provided. A more profound analyzation of the presented issues could have been done if the study would have been empirical. There is not much of prove how much consumers are fooled by these issues or how critically we as consumers can already analyze these. The future research of this topic should definitely include an empirical study with a large-scale target group.

Also, in order to reach more conclusive results, the theoretical research could be done in a more in-dept form. Each of the issues presented here need further research, both theoretical and empirical. This research was that the topic itself turned out to be more extensive than it first seemed. With a more limited research question the conclusions could be more accurate and a more in-dept analysis of the possible ways to better the situation could have been presented.

Another limitation that effected the results of this research is that while relying only to the academic articles the information is not very recent. Transparency is a topical subject, and having more up to date information would provide a more coherent conclusion.

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